

JONAH GAS GATHERING COMPANY SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division ("DEQ/AQD"), Herschler building, 122 West 25th Street, Cheyenne, WY 82002, and Jonah Gas Gathering Company ("Jonah"), P.O. Box 4324, Houston, Texas 77210-4324 enter into this Settlement Agreement ("Agreement") to fully and finally resolve without litigation the violations cited in DEQ/AQD Notice of Violation ("NOV") Docket No. 4490-09, NOV Docket No. 4614-09, and other alleged violations of the Wyoming Air Quality Standards and Regulations ("WAQSR"). NOV Docket No. 4490-09 alleges that Jonah failed to: 1) retain records for pilot flame outages; 2) control flashing emissions from its 400 barrel condensate storage tanks; and 3) obtain a permit for its pigging operation at its Bird Canyon Compressor Station located in Sublette County, Wyoming in violation of the Environmental Quality Act ("Act") and applicable WAQSR. NOV Docket No. 4614-09 alleges that Jonah vented vapors from an Enardo valve and failed to route vapors from the condensate tanks to the combustion device at its Luman Compressor Station in violation of the Act and applicable WAQSR.

Wyo. Stat. Ann. § 35-11-901(a)(ii) authorizes stipulated settlements, including payment of a penalty, in lieu of litigation. To that end, Jonah and the DEQ/AQD hereby stipulate and agree as follows:

1. The DEQ/AQD is responsible for enforcing the Act and WAQSR.
2. Wyo. Stat. Ann. § 35-11-801(a) states: "In granting permits, the director may impose such conditions as may be necessary to accomplish the purpose of this act which are not inconsistent with the existing rules, regulations and standards."
3. Chapter 6, Section 3 of the WAQSR prescribes the applicability and procedures for issuing permits to major sources under DEQ/AQD's operating permitting program.
4. Permit 3-0-201-1 was issued to Jonah on or about March 11, 2008.
5. Condition F15(b) of permit 3-0-201-1 states, "[t]he permittee shall retain on-site at the facility the records of each pilot flame outage for the combustion chamber for a period of at least five years from the date of the pilot flame outage, and shall make them available to the Division upon request."

6. On January 21, 2009, DEQ/AQD inspectors conducted an inspection of the Bird Canyon Compressor Station and observed that records from July 2007 through December 2007 along with other records from 2006 had been lost.

7. Condition F7(a) of permit 3-0-201-1 states, "[f]lashing emissions from the 400-barrel condensate storage tanks (unit TK-1) shall be controlled by a smokeless combustion chamber."

8. On January 21, 2009, DEQ/AQD inspectors conducted an inspection of the Bird Canyon Compressor Station and observed vapors from the 400-barrel condensate storage tanks being vented into the atmosphere and not controlled by the combustor chamber.

9. Wyo. Stat. Ann. § 35-11-801(c) states "[a] permit to construct is required before the construction or modification of any industrial facility capable of causing or increasing air or water pollution in excess of standards established by the department is commenced."

10. Chapter 6, Section 2(a)(i) of the WAQSR states "[a]ny person who plans to construct any new facility or source, modify any existing facility or source, or to engage in the use of which may cause the issuance of an increase in the issuance of air contaminants into the air of this state shall obtain a construction permit from the State of Wyoming, Department of Environmental Quality before any actual work is begun on the facility."

11. On January 21, 2009, DEQ/AQD inspectors conducted an inspection of the Bird Canyon Compressor Station and identified pigging operations conducted at the facility without a permit.

12. The January 21, 2009 inspection revealed alleged failures to: 1) retain records for pilot flame outages and provide records to the Division upon request in violation of condition F15(b) of permit 3-0-201-1; 2) control flashing emissions from the 400-barrel condensate storage tanks in violation of condition F7(a) of permit 3-0-201-1; and 3) obtain a permit for its pigging operation in violation of Wyo. Stat. Ann. § 35-11-801(c) of the Act and Chapter 6, Section 2(a)(i) of the WQASR at the Bird Canyon Compressor Station Facility.

13. Permit 3-0-208 was issued to Jonah on February 15, 2006.

14. Condition F3 of permit 3-0-208 states "VOC flash emissions from the condensate storage tanks (TK1 through TK5) shall be controlled by either enclosed combustion chamber (CU-1 or CU-2)."

15. On October 28, 2009, DEQ/AQD inspectors observed vapors venting into the atmosphere from an Enardo valve at Jonah's Luman Compressor Station.

16. The observed venting from the Enardo valve is an alleged violation of condition F3 of permit 3-0-208.

17. Permit 3-0-215 was issued to Jonah on September 19, 2007.

18. Condition F3 of permit 3-0-215 states "The flashing emissions from the six 400 bbl storage tanks (unit T1-T6) shall be controlled by the smokeless combustion chamber (unit CU1). The combustion chamber shall be maintained and operated during all periods of active operation of the condensate tanks such that it remains effective as a viable emissions control device."

19. On December 4, 2007, DEQ/AQD conducted an inspection of Jonah's Paradise Compressor Station located in Sublette County, Wyoming. During this inspection, the DEQ/AQD inspectors observed an emergency flare used as the emission control device for the condensate storage tanks, rather than a separate combustor in violation of condition F3 of permit 3-0-215.

20. On October 29, 2009, DEQ/AQD inspectors conducted an inspection of Jonah's Paradise Compressor Station located in Sublette County, Wyoming. During this inspection, the DEQ/AQD inspectors observed vapors from the condensate storage tanks being vented into the atmosphere and not controlled by the combustor chamber in violation of condition F3 of permit 3-0-215.

21. Permit 3-0-211 was issued to Jonah on January 30, 2007.

22. Condition F2 of permit 3-0-211 states "Flashing emissions from the 400-barrel condensate storage tanks (unit TK1-TK4) shall be controlled by Combustion Unit #1 (unit CU1)..."

23. On October 30, 2009, DEQ/AQD conducted an inspection of Jonah's Falcon Compressor Station located in Sublette County, Wyoming. During this inspection, the DEQ/AQD inspectors observed failures to control flashing emissions from two of the four condensate storage tanks in violation of Condition F2 of permit 3-0-211.

24. The DEQ/AQD and Jonah agree that in order to resolve the violations specifically alleged in NOV Docket No. 4490-09, NOV Docket No. 4614-09, and the violations alleged in paragraphs 17 through 23 above, Jonah will

pay the DEQ/AQD one hundred twelve thousand five hundred dollars and no cents (\$112,500.00) as a stipulated settlement amount to be payable as follows:

~~A. Jonah agrees to pay twenty-eight thousand one hundred twenty five dollars (\$28,125.00) as a partial stipulated civil penalty ("Stipulated Civil Penalty").~~ Jonah shall make full payment by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after Jonah has been notified by DEQ/AQD that the final signature has been affixed to the Agreement. Jonah shall mail the payment to Luke J. Esch, Assistant Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

B. In lieu of paying the remaining balance of eighty four thousand three hundred seventy five dollars (\$84,375.00) ("Remaining Balance"), Jonah agrees to the following Supplemental Environmental Project ("SEP"):

- i. A SEP is a project that is beneficial for the environment and is otherwise not required by applicable statutes, regulations, permits or orders.
- ii. The Enhanced Winter Monitoring SEP will benefit the environment through enhanced collection of data specific to ozone and precursors to include NOx and VOC speciation during winter months in the Jonah and Pinedale areas. This data will then be used to develop and maintain ozone reduction strategies within the state.
- iii. Jonah agrees to fund this SEP by paying to the DEQ/AQD the amount of eighty four thousand three hundred and seventy five dollars (\$84,375.00) ("SEP Funding Amount"). Jonah shall make full payment of the SEP Funding Amount by check made payable to DEQ/AQD, within thirty (30) days after the last signature has been affixed to this agreement. Jonah shall mail the payment to Luke J. Esch, Assistant Attorney General, 123 Capitol Building, Cheyenne, WY 82002.
- iv. The DEQ/AQD agrees to use the SEP Funding Amount to pay any costs the DEQ incurs to implement the Enhanced Winter Monitoring SEP. If there are any remaining funds after completion of the Supplemental Environmental Project provided for in this Agreement, DEQ may use those

remaining funds on any future, unspecified Supplemental Environmental Project at the discretion of the DEQ Director.

~~v. Jonah certifies that as of the date it signs this Settlement Agreement, Jonah is not required to perform or develop this SEP by any federal, state or local law or regulation, nor is Jonah required to perform or develop this SEP pursuant to any other agreement or relief in any other case. Jonah further certifies that it has not received and is not presently negotiating to receive credit for this SEP in any other pending action.~~

25. Jonah, by entering into this Agreement, does not concede or admit to any liability, and this Agreement constitutes no admission of fault or noncompliance.

26. Full compliance with the signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Jonah alleged in NOV Docket No. 4490-09, NOV Docket No. 4614-09, and the violations alleged in paragraphs 17, through 23 above, and solely in reliance on the Agreement, the DEQ/AQD will refrain from taking further enforcement action against Jonah for the particular violations specifically alleged in NOV Docket No. 4490-09, NOV Docket No. 4614-09, and the violations alleged in paragraphs 17 through 23 above.

27. Jonah waives any statute of limitations which may apply to an enforcement action by the DEQ/AQD involving the specific matters described in NOV Docket No. 4490-09, NOV Docket No. 4614-09, and the violations alleged in paragraphs 17 through 23 above, in the event that Jonah fails to fulfill its obligations under this Agreement.

28. This Agreement shall be admissible by either Jonah or the DEQ/AQD (hereinafter Jonah and DEQ/AQD may be referred to individually as "Party" and collectively as "Parties") without objection by the other Party in any action between these Parties relating to the violations alleged herein.

29. Neither Party hereto shall have any claim against the other for attorney's fees or other costs incurred with the allegations resolved hereby, including costs incurred in the preparation of the Agreement. Each Party shall bear its own attorney fees and costs, if any, incurred through the date this Agreement is signed by both Parties. Each Party assumes the risk of any liability arising from its own conduct. Neither Party agrees to insure, defend or indemnify the other.

30. Any changes, modifications, revisions or amendments to this Agreement which are mutually agreed upon by the Parties shall be incorporated by written instrument, executed and signed by all Parties to this Agreement.

31. The construction, interpretation and enforcement of this Agreement shall be governed by the laws of the State of Wyoming. The Courts of the State of Wyoming shall have jurisdiction over this Agreement and the Parties, and the venue shall be the First Judicial District, Laramie County, Wyoming.

32. This Agreement, consisting of five (5) pages, represents the entire and integrated agreement between the Parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

33. The State of Wyoming and the DEQ/AQD do not waive sovereign immunity by entering into this Agreement and specifically retain immunity and all defenses available to them as sovereigns pursuant to Wyo. Stat. Ann. § 1-39-104(a) and all other state law.

34. The Parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties and obligations contained in the Agreement shall operate only between the Parties to this Agreement, and shall inure solely to the benefit of the Parties to this Agreement. The Parties to this Agreement intend and expressly agree that only the Parties that are a signatory to this Agreement shall have legal or equitable right to seek to enforce this Agreement, to seek any remedy arising out of a Party's performance or failure to perform any term or condition of this Agreement, or to bring an action for the breach of this Agreement.

35. Each Party represents that they are authorized to enter into this Agreement and agree to be bound hereby. This Agreement shall become binding upon the Parties once executed by all Parties.

IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

JONAH GAS GATHERING COMPANY:

By:



William Ordemann
Executive Vice President

12/21/11
Date

cc
MGM

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:



Steven A. Dietrich
AQD Administrator

1-4-12
Date

By:

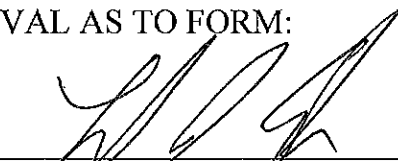


John V. Corra
DEQ Director

1/5/12
Date

APPROVAL AS TO FORM:

By:



Luke J. Esch
Assistant Attorney General
Counsel for DEQ

1-3-12
Date

By:



Edward C. Lewis
Fulbright & Jaworski
Counsel for Jonah Gas Gathering Company

12-21-2011
Date